Refer to: The Health Maintenance Organization—Some information for physicians—Report of the Bureau of Research and Planning, California Medical Association (Information). Calif Med 116:100-103, Mar 1972

The Health Maintenance Organization

Some Information for Physicians

A Report of the Bureau of Research and Planning, California Medical Association

The so-called "Health Maintenance Organization" constitutes one of the greatest sources of confusion and misunderstanding among physicians of any recent development in the area of health care financing and delivery. This report attempts to answer some of the more important questions, as well as to provide current data concerning the situation within California.

An initial source of concern to physicians and others interested in health care is the fact that the Health Maintenance Organization has not been well defined, but rather has merely been described in terms of its functions. This apparent paradox is necessary, however, since the configuration of an individual Health Maintenance Organization can vary considerably as long as the HMO fulfills certain criteria. Functionally, it must be prepared to guarantee the following elements to a defined population:

1. Accessibility of services,
2. Availability of services,
3. Continuity of care,
4. Comprehensiveness of benefits.

Furthermore, services must be made available to the subscribing population through a prospective capitation payment of a negotiated amount (prepaid) per individual or family.

A problem of understanding immediately arises because of the fact that the term Health Maintenance Organization does not accurately describe the concept in its current form. Originally, it implied the presence of a broad spectrum of preventive services; thus, the application of the term "maintenance." Now, however, the term is used to describe any operation which functions as outlined above. This does not necessitate the availability of preventive services although they may, in fact, be present.

Reprint requests to: Bureau of Research and Planning, California Medical Association, 693 Sutter Street, San Francisco, Ca. 94102.

Many Models May Fit the Mold

Another difficulty in understanding Health Maintenance Organizations relates to the variations in configuration through which services may be provided. Although the classic example of an HMO is based on the framework of a group practice with prepayment, the two forms of health care delivery are not interchangeable. Besides professional groups, organizations such as Foundations for Medical Care, hospitals, insurance carriers, non-professional corporations and other types of cooperative arrangements may also serve as a Health Maintenance Organization. The requirement is merely in terms of the services and the mode of subscriber payment, not necessarily the organizational structure. Nevertheless, two other objective states for HMO's are (1) to bring about greater organizational efficiency together with more effective control of quality of medical care; and (2) to control costs of care.

It should be emphasized that the method of payment to professionals is equally irrelevant. HMO's may remunerate participating physicians on a fee-for-service basis or any other basis that may be mutually acceptable. Additionally, various portions of the package of services offered to the public may be subcontracted. The requirement is merely that they be guaranteed.

Contents of a package of services offered may vary according to each defined population group, but each "package" must be available to whatever other group desires to select it.

Enabling Legislation Still Pending

At this time no specific legislation has been enacted to provide funding for Health Maintenance Organizations. Nevertheless, three important pieces of legislation are pending nationally:

1. A portion of HR1, the Social Security Act of 1971, relating to the availability of an HMO option for Medicare patients;

2. The Administration-sponsored HMO Assistance Act, S1182 in the Senate and HR5615 in the House of Representatives, which would provide $45 million for HMO grants and loans to plan and develop new HMO's, to expand existing ones and to aid in initial costs in underserved areas:

3. The Rogers-Roy Bill (HR11728), the Health Maintenance Organization Act of 1971, a more elaborately detailed package, consisting of various types of grants and loans for HMO planning, development, and initial operating costs.

As the concept of the HMO becomes questioned in more depth, both as a mode for providing services and in terms of its economic advantages, the chances of passage of such enabling legislation become less certain.

Existing Funds Being Used by HEW

In the absence of specific enabling legislation, however, existing sources of funds are being employed in order to encourage the conduct of feasibility studies as well as the development of HMO's. Developmental funding is being provided through Title 314e of the Comprehensive Health Planning Act. In addition, some limited funding for evaluation is being made available through that legislation. In California funds were made available in the early part of 1971 for four developmental projects, two of which are being sponsored by Foundations for Medical Care. These foundations are the Sacramento County Foundation and the Sonoma County Foundation, each of which is being funded in excess of $100,000. The other two developmental projects are sponsored by the Lutheran Hospital Society and the Health Services Alliance of San Jose.

Applications for 1972 grants under comprehensive health planning recently received primary review for future funding. Sixteen such applications in California, with sponsorship from a variety of sources, were reviewed, including some submitted by hospitals, county medical societies, medical schools, group practices, insurance carriers and a combination of various types of agencies. In the latter part of December, the following six grant proposals in California were approved for funding for 1972: Contra Costa Medical Services, Martinez, $101,000; Health Services Alliance of San Jose, Inc., $31,500 to supplement its 1971 initial grant of $102,000; John Hale Medical Society, San Francisco, $25,000 for a feasibility study; St. Joseph's Hospital, San Francisco, $25,000 for a feasibility study; a coalition of the San Francisco Medical Society and the University of California, San Francisco, $156,349; and Watts Extended Care Inc. (sponsored by the Charles R. Drew Postgraduate Medical School), Los Angeles, $193,983. Nationally, approximately $3.2 million was awarded for the year.

Non-HMO Comprehensive Care Developments

In addition to those developments that are strictly classified as HMO's, parallel efforts toward the provision of comprehensive health services are also being made. Although they may differ from HMO's in certain respects, particularly by being directed towards certain target elements of the population rather than the community at large, a few words about these developments are appropriate in this report.

One type of sponsorship of comprehensive care programs comes through the Office of Economic Opportunity, which has granted funding for the provision of services to specified target groups. Approximately 14 ongoing projects of this type may be found in California. One other project, formerly under the sponsorship of OEO, is currently being continued under the US Public Health Service. The OEO expects to spend approximately $40 million nationally on pilot programs for comprehensive health care in the next two years. Several "community health networks" will be designed to serve between 100,000 and 200,000 persons, the bulk of whom will be poor.

Some funding is also being made available directly by the Health Services and Mental Health Administration (HSMHA). A contract for an experimental health services delivery system is currently in effect with the East Los Angeles Health Task Force. This funding is strictly experimental or developmental in nature and is not currently being directed to the actual provision of health care services.

Also of interest is the thrust within the Public Health Service to acquaint sponsors of potential Health Maintenance Organizations with private sources of funding, as well as with consultants to assist in planning HMO's. Although enabling legislation to guarantee loan funds used for HMO development is yet pending, government staff activities of this type nevertheless appear to be continuing on a limited basis. The expectation of enactment of this legislation is unclear at this time.

In addition, comprehensive care arrangements called Prepaid Health Plans are being effected under Medicare's Title 19. At this time, five such projects are functioning in California, including one sponsored by the San Joaquin County Foundation for Medical Care. Although a Foundation currently serves in this capacity as one such arrangement, the State Department of Health Care Services is said to view the group-practice-with-prepayment concept as more suitable for offering a comprehensive care alternative to Medi-Cal recipients. Despite the fact that the Department is encouraging organizational development so that this method of providing care under the program can become more prevalent, no funding appears to be available for start-up costs.

Some Concerns about HMO's

One of the great problems in the provision of quality care under HMO's may well be the entry on a massive basis of profit-making organizations in the health care field. Whether or not profit-making organizations are appropriate in the role of an HMO has been a source of continuing debate. Nevertheless, it is necessary that the medical profession develop guidelines for evaluating care provided and for assuring the public that they are being served in an acceptable manner. An ancillary concern relates to assurance that each HMO is of sufficient size and fiscal soundness to remain a source of continuous care for its subscribers. Currently, the CMA Commission on Medical Services is developing criteria for evaluating HMO's. It is anticipated that these criteria will provide a basis for assuring the delivery of quality care.

At present, another important concern among physicians about HMO's is whether their development will interfere with traditional forms of private medical practice. A clear advantage, for example, is the ability of the HMO to solicit patients from private physicians. Although governmental spokesmen have repeatedly indicated that diverse modes of practice will always be able to exist, legislation enacted could, in fact, place one mode of practice in a more favorable position to other modes. This possibility has prompted the particular vigilance medical organizations have demonstrated with respect to HMO legislation.

This concern—along with the fact that the future course of HMO development in general is unclear—has created in many minds the feeling of inevitability with respect to the total preemption of the health care field under an HMO framework. Under this assumption, some physicians and groups have taken steps to develop or join with mechanisms that fulfill the requirements of an HMO. Such actions are encouraged only if the individual physician feels that participation in an HMO-type operation could be professionally satisfying and that the care provided would be of a level that he considers acceptable. Participation under other circumstances at this time would be unwarranted, since forecasts that HMO-type care will be massively available within the next few years are obviously overstated.

Among the many factors which cannot but delay the expansion of an HMO-type system of care are the following:

1. There exists a massive fiscal requirement both for the establishment of an HMO and for absorbing initial losses which may continue for three to five years. Current legislation, even if it were to be enacted, does not approach a level of funding necessary to implement stated aims.

2. The marketing of an alternative mode of health care to a sufficient number of persons to make the HMO both medically and fiscally viable

is a substantial task requiring extensive and protracted efforts. An insufficient number of subscribers during early periods of an HMO's existence imposes a fiscal burden of considerable dimension.

For all these reasons, the California Medical Association has assumed a cautious position concerning HMO's, urging that they be tested and evaluated on a pilot basis before implementation efforts are made nationally. Innovations in the organization and delivery of health care services must be shown to enhance the level of care to all segments of the population.

Points to Remember Outlined

With respect to actions or reactions of individual physicians to HMO's, the following represents a listing of several important points that should be remembered:

1. In many instances HMO's can be a creative alternative means of providing care to certain population groups or to residents of certain areas. HMO's can best be directed by physicians or with their active cooperation. If an HMO appears to be a reasonable alternative to meet a specified and identifiable need, active involvement is encouraged.

2. Despite massive governmental encouragement and potential funding available for their establishment, HMO's can only function with physician participation. Physicians must individually and cooperatively assure that professional requirements are met and standards maintained by any such organization in which they may consider participating.

3. Physicians should remain alert to developments in their own areas. The county society can provide the best mechanism for information. The California Medical Association is also obtaining information about developments on a broader scale. Physicians should attend hospital staff meetings, especially those which may be devoted to a discussion of hospital-based HMO's.

4. Despite public relations efforts aimed at convincing the nation of a need for an all-out development in HMO-type care, it should be remembered that the American public generally remains attached to traditional health delivery methods and mechanisms. Predictions of the magnitude of HMO development have been unrealistic and cannot conceivably be met despite the degree of funding available. Physicians should interpret cautiously any such statements about the rapidity of developments in this area, either currently or in the future.

5. HMO's can provide an opportunity for profit-oriented non-professional corporations to enter the field for motives that may be less than altruistic. Physicians should be cautious in participating in programs sponsored by organizations whose orientation in health care may be subject to question. If this doubt exists about an organization, physicians should secure advice from appropriate sources such as their county medical society before undertaking binding commitments.

TALL CHILD? LOOK AT THE CHROMOSOMES

If in your pediatric practice you have children who are more than three standard deviations above the normal in height, this justifies taking a look at the chromosomes. Some, but not all of them, will have the XYY chromosome abnormality. We do know that there are no XYY's who do not have tall stature.

Not all persons with XYY abnormality have criminal tendencies. Surveys of infants and young children with this defect have been uncovered and the subjects followed rather closely for some years. About half of them, even in adolescence, have developing criminal tendencies whereas the other half appear to be perfectly normal and have no difficulties whatsoever.

—DAVID YI-YUNG HSIA, M.D., Chicago
Extracted from *Audio-Digest Pediatrics*, Vol. 17, No. 4, in the Audio-Digest Foundation's subscription series of tape-recorded programs. For subscription information: 1930 Wilshire Blvd., Suite 700, Los Angeles, Ca. 90057